



FAQ SHEET

Frequently Asked Questions on Securitization of Tobacco Revenue

What is Securitization?

- Bonds are sold, backed by future tobacco settlement proceeds, to receive a large single payment.
- This large payment will allow the county to maintain stable property taxes for the foreseeable future, pay-off and avoid significant amounts of costly debt, and create a Green Space Fund.
- This payment, or securitization, will eliminate the risks associated with yearly payments from the tobacco companies, which are currently scheduled -- but not guaranteed -- under the tobacco settlement.

Why Securitize These Funds Now (Why Not Wait)?

- Monroe County is concerned that the tobacco companies will not be able to meet their obligations under the settlement agreement, particularly in light of pending and possible lawsuits from the federal government, other nations and individuals.
- Securitization of tobacco revenues will eliminate risks and financial exposure inherent with dependence on the tobacco industry for future revenue – settlement payments are tied to cigarette sales and there is a projected almost 2% yearly decline in cigarette consumption.
- Eliminates any exposure for Monroe County if the tobacco companies renege on the agreement or enter into bankruptcy.
- Monroe County will no longer have a stake in future tobacco sales – allowing county government to be consistent with its current position on tobacco use and consumption.

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Is Securitization Risky for Monroe County and its Taxpayers?

- No, there is no future risk to the county or its taxpayers. The bondholders would assume all risk.
- The financial community has been positive and receptive to securitizations.
- Recent securitizations by other municipalities have been well received and the bonds have sold relatively quickly.

What Benefits will Securitization Bring to County Taxpayers?

- Securitization will continue Monroe County's 8-year record of property tax stability into the foreseeable future.
- As a result of securitization, Monroe County taxpayers will avoid \$54 million in costly long-term bonded debt along with a \$37 million interest cost.
- Securitization will fund the retirement of approximately \$100 million in principal and interest.
- Through the securitization plan, per capita debt will go from \$404/person to \$294/person in Monroe County.
- Long-term tax stability enhances county economic development efforts to retain, grow and recruit local employers.
- Stable taxes through securitization will mean that working families, residents on fixed incomes and first time homebuyers will continue to be able to afford living within our community.
- Securitization revenues will allow the county to create a Green Space Fund, which will enhance recreation and open-space opportunities for residents without adversely impacting property taxpayers.